severally with other railroads in regard to the following: First mortgage bonds of the Jacksonville Terminal Company, each in the amount of $3,764,000; first mortgage bonds of the Richmond Terminal Company, $2,552,000 each; and the conditional sale agreement of the Norfolk and Portsmouth Belt Line Railroad Company, each in the amount of $88,765, comprising one-eighth of the total sum of $710,116. Further, Seaboard and Coast Line, together with other proprietary companies, each are contingently liable to advance specified proportions of certain sums required by Trailer Train Company for the repayment of principal and interest obligations aggregating $58,542,016. Coast Line also has contingent liability obligations under guarantees jointly and severally with the L-and-N pertaining to the following: First mortgage bonds of the Clinchfield (lessor), $17,886,000; equipment obligations of the Clinchfield in operation of leased properties, $11,359,815; equipment obligations of the Georgia Railroad in its operation of leased properties, $2,301,343; and equipment obligations of the Atlanta & West Point Railroad Company, $840,769.

The long-term debt of Seaboard and Coast Line, are as follows:

Seaboard—due within 1 year	
Equipment obligations	$ 9,242,134
First mortgage, series B, 3s due 5-1-80	104,291
Sinking fund debentures, 3-7/8s due 9-1-77	759,000
Long term debt due within 1 year-Total	$ 10,105,425
Seaboard—due after 1 year	
First mortgage, series B, 3s, due 5-1-80	$ 26,622,709
Sinking fund debentures, 3-7/8s due 9-1-77	14,400,000
Total funded debt	41,022,709
Equipment obligations	69,587,000
Long term debt due after 1 year-Total	$110,609,709

Coast Line—due within 1 year

Equipment obligations	$ 9,326,017
General mortgage, series A, 4s due 3-1-80	102,000
Notes re purchase of real estate	136,848
Long term debt due within 1 year-Total	$ 9,564,865

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Coast Line—due after 1 year

General unified mortgage series A, 4½s due 6-1-64	$ 32,176,000
General mortgage, series B, 4s due 6-1-64	40,000
General mortgage, series A, 4s due 3-1-80	23,096,000
General mortgage, series B, 4½s due 6-30-72	17,778,000
General mortgage, series C, 4½s due 7-1-72	16,006,000
General mortgage, series D, 3⅝s due 3-1-80	12,601,000
Bank Loans - various, 4¾% interest due 12-31-60	11,812,500
Notes re purchase of real estate	547,391

Charleston & Western Carolina Ry. Co.

First consolidated series A, 5s due 1-1-64	1,589,000
First consolidated series C, 4½s due 1-1-64	3,162,000
Total funded debt	118,807,891
Equipment obligations	62,722,018
Long term debt due after 1 year-Total	$181,529,909

The foregoing list of long-term obligations of Seaboard exclude certain bonds in the amount of $253,000, and sinking fund debentures in the amount of $141,000, which are held in the company's treasury. The list of Coast Line's long-term debts excludes bonds held in its treasury of $207,000 value under three Coast Line mortgages, $2,779,151 under a Western Carolina mortgage, and $8,450,000 of a series of Coast Line

bonds only nominally issued. Likewise excluded from Coast Line's obligations are certain bonds which are pledged. These include an aggregate amount of $100,448,000 of three series pledged under Coast Line's general mortgage, $575,000 pledged under the Georgia Railroad lease, and $13,500,000 of bonds pledged as collateral for bank loans.

Attached hereto as appendix "C" are Seaboard's Income Statements, and its Retained Income — Unappropriated accounts for each year 1955 through 1959 and for 8 months ended August 31, 1960. Comparable statements for the same years and period of 1960 pertaining to Coast Line are attached as appendix "D". These statements include adjustments in the summaries for each year prior to the corporate changes, to embrace appropriate data pertaining to the Macon, Dublin & Savannah Railroad Company which was absorbed by Seaboard on March 1, 1958, and the Western Carolina which merged into Coast Line.

The operating expense items include depreciation charges amounting each year to approximately 2.34 million dollars by Seaboard, and 1.87 million dollars by Coast Line charged as maintenance of way and structure expenses, and approximately 7.74 million dollars and 8.10 million dollars, respectively, as maintenance of equipment expenditures. The account have

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been adjusted to give effect to Federal income tax deferments resulting from accelerated amortization in excess of normal depreciation, and other reductions in depreciation reserves credited to annual railway tax accruals. The accumulated amounts of tax reduction realized because of accelerated amortization and accelerated depreciation at August 31, 1960 were $33,132,000 and $1,745,000, respectively, pertaining to Seaboard, and $24,812,027 and $793,519, respectively, pertaining to Coast Line.

PLAN OF MERGER

Agreement to merge. By individual actions, the boards of directors of Seaboard and Coast Line, on May 19, 1960, approved and adopted a "Plan of Merger," specifying the terms and conditions upon which Coast Line would be merged into Seaboard, the name of which would be changed to Seaboard Coast Line Railroad Company. The merged company would continue to exist as a corporation chartered in Virginia. Consummation of the plan is contingent upon appropriate corporate consents and authorizations by the stockholders of the constituent railroad companies, and upon approvals and authorizations required from Federal and State regulatory bodies having appropriate jurisdiction. In turn, a "Certificate of Merger of the Constituent Corporations," required pursuant to Virginia statutes would be sought, and when obtained, its effective date would fix the date of the merger. The separate existence of Coast Line (with certain statutory exceptions) would cease, and the merged company would be the sole surviving corporation.

The parties reserve the right to terminate the agreement at any time prior to the merger date, (1) by their mutual consent, (2) by either railroad upon the breach by the other of provisions relating to restrictions upon the payment of dividends; the incurring of obligations other than in the ordinary course of business; the issuance of shares or options to give shares of any class of capital stock; or, otherwise failing to maintain their respective financial position as good as existed on April 30, 1960, (3) in the event a majority of the members of the board of either railroad find unacceptable any conditions imposed by the Commission upon its approval of the merger, or, (4) in the event either railroad is unable to secure Internal Revenue Service rulings assuring that no gain or loss or taxable income would result as a consequence of the merger.

The merged company would become possessed of all the rights powers, and franchises of the constituent railroad companies and would be vested with all the properties, debts, subscriptions to shares, and other choses in action belonging to or due to either railroad, and, without further act or deed would succeed to title to the real estate interests of each company. It would be responsible and liable for the obligations of Seaboard and Coast Line, and would be substituted in their stead as the party of interest in any existing claims or actions by or against either railroad.

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Upon the merger date, the stated capital of the merged company would be equivalent to the aggregate of the amount of the stated capital of Seaboard immediately preceding the merger date, on the basis of $20 per issued share, plus $20 per share for each share of common stock of the merged company issuable in conversion of the outstanding capital stock of Coast Line. The surplus of each applicant, other than any which might be transferred by the merged company to stated capital, would continue without change as surplus of the merged company available for the payment of dividends.

Each share of capital stock of Seaboard outstanding on the merger date, including shares held in its treasury, would continue as a share of common stock of the merged company, and the presently issued certificates for such stock would continue to be valid without surrender or exchange. Each share of Coast Line's original preferred stock ($100 par value) issued and outstanding on the merger date would be converted into 3 fully paid and non-assessable shares of the merged company's common stock ($20 par value). The shares of Coast Line's common stock issued and outstanding on the merger date, including shares reacquired and held in the treasury to satisfy unexercised options granted under its existing stock option

plan, would be converted to 1.42 shares of common stock of the merged company, which would be fully paid and nonassessable. Shares of Coast Line's capital stock held in its treasury, except pursuant to the stock option plan, would be retired and canceled upon the merger taking effect.

After the merger date, upon presentation and surrender for cancellation by the present holders of stock certificates of Coast Line, certificates of the merged company would be delivered in amounts equivalent to the number of full shares of the merged company's stock after conversion. Upon surrender and conversion of Coast Line's original preferred stock, payment would be made for any accrued unpaid dividends.

Scrip certificates, in bearer form, would be delivered to represent fractional shares of stock resulting from the conversion of the existing common stock of Coast Line. Rules for the exchange of the fractional shares within 2 years after the merger, and for their surrender or forfeiture within 4 years thereafter, are provided as customary in this type of stock exchange. Shares of Coast Line stock represented by certificates not exchanged prior to 18 months after the merger date would lose entitlement to vote at stockholders' meetings and to receive dividends, unless and until they are exchanged as provided by the plan of merger.

Generally, the existing corporate charter and by-laws of Seaboard, subject to amendments to conform with details of the plan of merger herein, define the corporate existence, purposes, powers, and franchises of the merged company. The merged company would exist under the Restated Articles of Incorporation of the Seaboard Coast Line Railroad Company, conferred under the laws of Virginia.

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The more important of the amendments to the by-laws would provide that the board of directors of the merged com-

pany would consist of 26 members which, by amendment of the by-laws from time to time could be decreased to not fewer than 7 members; and that the executive board annually would appoint an executive committee and a finance committee, each to consist of the incumbent chairman of the board of the merged company, its president, and 4 additional members of the board. The initially appointed executive committee and finance committee each would include 3 persons who, immediately prior to the merger date, had been members of the boards of Seaboard and 3 persons theretofore members of the board of Coast Line. The first chairman of the executive committee would be the person who had served as chairman of the executive committee of Coast Line, and the first chairman of the finance committee would be the person who until the date of the merger had served as chairman of the executive committee of Seaboard.

The plan of merger names as the first chairman of the board of directors of the merger company, Mr. John W. Smith, president of Seaboard, and as first president of the merged company, Mr. W. Thomas Rice, president of Coast Line. In the event Mr. Smith or Mr. Rice are not available to assume those positions on the date of merger, the persons succeeding to their present positions would become the chairman of the board and the president of the merged company, respectively. The names and addresses of the individuals who would comprise the initial board of directors of the merged company also are listed in the plan of merger. Among those named are 13 of Seaboard's present board of directors of 17 members, and 13 of Coast Line's present 15 directors. The names shown are reproduced in Appendix "E" attached hereto, and in separate columns are shown the applicant or applicants with which each person heretofore served as director, and the executive position each held, if any.

The stockholders of Seaboard and Coast Line, at indi-

vidual special meetings held August 18, 1960 pursuant to appropriate notices for the purpose of considering the plan of merger, voted its approval and adoption. The votes as recorded are as follows:

Shares of capital stock	Seaboard	Coast Line
Number of shares entitled to vote	(*) 4,835,980	2,634,781-c 1,554-p
Shares represented at meeting	4,291,763	2,461,498-c 1,095-p
Votes favoring plan of merger	4,274,608	2,457,652-c 1,095-p
Votes opposing plan of merger	17,115	3,846-c
Ratio of shares outstanding favoring	88.3%	93.2%

(*)-Date of record to vote -- July 14, 1960.
c -Coast Line's common stock.
p -Coast Line's original preferred stock.

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As contemplated in the plan of merger, other consents were secured as follows: (A) The Internal Revenue Service of the United States Treasury Department by letter dated June 30, 1960, expressed rulings that no gain or loss would be recognized (a) as to Seaboard or Coast Line as a result of the transaction, (b) as to the shareholders of Coast Line upon the exchange of their stock, or, (c) as to the shareholders of Seaboard whose stock would not be changed; and (B) pursuant to negotiations to modify the sinking fund payment requirements under Coast Line's First, Second, Third, and Fifth Supplemental Indentures to the General Mortgage and the Series A, B, C, and D bonds issued thereunder, the trustees and Coast Line agreed to appropriate changes of the language in pertinent articles of the supplemental indentures.

The proposed modification would place Coast Line's sinking fund requirements in balance with those of Seaboard, which require fixed sinking fund payments, and relieve the merged company from being required to commit up to 12.5 percent of its net earnings to satisfy the existing sinking fund obligations of Coast Line. On August 12, 1960, holders of Coast Line's General Mortgage Bonds, series A, B, C, and D, approved and adopted the proposed modifications, separately for each class of bonds, by votes ranging from 79.05 percent to 97.69 percent in favor of the changes. Seaboard's board of directors at a special meeting on June 27, 1960, accepted the form and substance of the Modification Indenture as described hereinabove.

In a separate proceeding filed by Coast Line on August 25, 1960,[4] approval and authorization of the aforesaid modification instrument is sought. Consideration thereof will be held in abeyance pending disposition of the merger proceeding herein. Nothing in the preceding discussion is to be construed as a judgment on the merits of the indenture in question.

RELATED TRANSACTIONS

Interests in affiliated companies. Coincident with consummation of the proposed merger, the merged company would acquire through stock ownership, such sole or joint control of other carriers as Coast Line might hold immediately prior to the date of the merger. It also would acquire all the direct and indirect interests which those carriers have in other carriers or their properties. The subsidiary carriers involved, and the percent ratio of Coast Line's stock ownership in each as of March 31, 1960, are specified in the second list shown in Ap-

[4] Finance Docket No. 21254 for modification of orders of May 26, 1950 in Finance Docket No. 16961; April 10, 1952 in Finance Docket No. 17667; June 23, 1952 in Finance Docket No. 17791; and March 25, 1955 in Finance Docket No. 18874.

pendix "A" hereto. The merged company also would succeed to the existing lease interests of Coast Line which cover joint rights involving the properties of the Clinchfield, and the Georgia Railroad. In addition, on the date of the merger it would acquire Coast Line's existing trackage rights over, or joint use of the railroad lines of other carriers, as follows:

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Name of carrier	Termini of line	Miles of railroad
Tampa Southern RR Co.	Uceta to Belspur, Fla.	58.07
Fort Myers Southern RR Co.	Fort Myers to Naples, Fla.	35.50
Central RR Co. of S. Carolina	Lanes to Sumter, S.C.	40.20
South Carolina Pacific Ry Co.	N. Car. State Line to Bennettsville, S.C.	16.58
Richmond Terminal Ry Co.	Richmond, Va.	0.96
Goldsboro Union Station Co.	Goldsboro, N.C.	0.38
Savannah Union Station Co.	Savannah, Ga.	3.76
Central of Georgia Ry Co.	Augusta, Ga.	0.02
Augusta & Summerville RR Co.	Augusta, Ga.	0.54
Augusta Union Station Co.	Augusta, Ga.	0.26
Albany Passenger Term. Co.	Albany, Ga.	0.24
Jacksonville Terminal Co.	Jacksonville, Fla.	1.99
Tampa Union Station Co.	Tampa, Fla.	0.31
Louisville & Nashville RR Co.	Montgomery, Ala.	0.61
Louisville & Nashville RR Co.	Atlanta, Ga.	1.70
Virginia Carolina Chemical Corp.	Pinners Point, Va.	0.60
East Carolina Ry.	Tarboro, N.C.	0.51
Virginia & Carolina Sou. RR Co.	Hope Mills, N.C.	0.52
Southern Ry Co.	Goldsboro, N.C.(*)	2.73
Southern Ry Co.	Brunswick, Ga.(*)	2.36

(*) Yard switching tracks

Assumption of obligations. Under the merger plan, the merged company would be responsible and liable for all the obligations and liabilities of Coast Line existing on the date of merger. As of March 31, 1960, the amounts which would be assumed would include mortgage bonds $232,661,151, notes, including those covering the purchase of real estate $7,771,738, equipment trust certificates $9,252,000, and conditional sale agreements $51,239,932. Together, the encumbrances shown

total $300,924,821, which includes holdings in Coast Line's treasury or pledged in the amount of $125,752,151, and net total encumbrances $175,172,670.

The merged company also would assume obligation and liability in respect of certain securities and obligations of companies related to Coast Line which are contingently guaranteed by Coast Line, either solely or jointly with other guarantors. Attached hereto as appendix "F" are separate lists identifying (1) each of the mortgage obligations and the amounts of the remaining indebtedness of Coast Line, respectively, as of March 31, 1960, and (2) the names and maturity dates of certain mortgage, equipment trust certificates, and conditional sale agreements in regard to which Coast Line is contingently liable as guarantor.

Issuance of capital stock. On behalf of the proposed merged company, Seaboard seeks authorization under section 20a of the act, to issue 3,839,345 shares of $20 par value common stock. The shares would be issued in conversion and exchange for Coast Line's outstanding (as of March 31, 1960) 1,544 shares of $100 par value original preferred stock, and 2,700,481 shares of no-par value common stock (consisting of 2,631,831 shares held by the public and 68,650 shares authorized to be issued under the exercise of options granted under Coast Line's restricted option plan). Under the agreed plan on conversion, Seaboard's outstanding common stock would be increased from 4,898,950 shares to 8,738,295 shares. Following the conversion the present holders of Seaboard

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stock would hold 4,898,950 shares of the merged company's capital stock, and the present owners of Coast Line preferred and common stock would hold 3,839,345 shares. The stated capital value of the outstanding shares would increase from $97,979,000 to $174,765,900.

Transfer of motor carrier certificates. Coast Line is not affiliated with and does not own stock of any motor carrier. Under effective certificates issued under part II of the act, it engages in specified transportation service as a common carrier by motor vehicle. The outstanding certificates, and the general scope of the authorities, as described by the Commission, are as follows:

MC No.	Date Issued	Points and/or areas of service
23942	Jan. 30, 1942	Yonges Island—Ravenel, S.C.; (*) Tampa—Port Tampa, Fla.
—Sub 1	Nov. 14, 1950	(Richmond, Va.) and (designated points in North Carolina). (†)
—Sub 3	June 25, 1957	(Designated points in North and South Carolina) and (Waycross, Ga.); (Brunswick, Ga.) and (Atlanta, Ga., Birmingham and Montgomery, Ala.); (Dupont and other points in Georgia) and (designated points in Florida); (Waycross, Ga., Jacksonville, Fla.) and (designated points in Florida); Certain routes for operating convenience only.
—Sub 4	Sep. 4, 1952	Rocky Mount—Plymouth, N.C.
—Sub 5	Apr. 6, 1956	Washington—Bethel, N.C.; Certain alternate routes in North Carolina.

(*) Denotes "between" points named "and" other points named.
(†) Denotes "between points on the one hand" and other points named "on the other hand."

Under the described operating rights, Coast Line is authorized to utilize motor vehicles to transport general commodities with certain exceptions, subject to restrictions specified in regard to each route described. Among other limitations, the service must be auxiliary to or supplemental of railroad service at Coast Line railroad stations along highways parallel to the railroad routes, and the traffic must move under through bills of lading in joint rail-motor service to and from points beyond those named in the certificates. In addition, the rights generally are restricted against service between many of the principal stations and points served by Coast Line, described

as "key points". Such include 1 specified point in Virginia, 4 each in North Carolina and South Carolina, 6 in Georgia, 5 in Alabama, and 10 points in Florida. No motor carrier authority is held affecting highway routes parallel to the rail lines of the former Western Carolina, the East Carolina Railway, the Rockingham Railroad, or, the Virginia & Carolina Southern Railroad. Operations over Coast Line's highway routes are operated with equipment leased from the Railway Express Agency or from commercial truck rentals concerns which also furnish drivers.

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In the event the proposed merger is approved and authorized, the applicants request appropriate authorization to transfer the motor carrier operating rights of Coast Line to the merged company to the extent necessary to permit continuation of the present truck operations of Coast Line. While certain of the described routes presently are not operated by Coast Line, due to changes in circumstances since their issuance, request is made that all the outstanding operating rights be transferred to the merged company.

Supplemental application. By virtue of its supplemental application herein, Mercantile requests authority to acquire control of the merged company and its common carrier subsidiaries and affiliates to the extent, if any, that Mercantile presently holds control of ACL company, Coast Line, and Seaboard through ownership of capital stock of each. Mercantile, which does not have charter power to engage in the transportation business and holds no form of authorization from this Commission, requests that it not be considered as a carrier subject to the provisions of the Interstate Commerce Act. It is a closely held banking and trust institution, which by merger in 1953, succeeded to the interests of two trust companies incorporated in Maryland in 1864 and 1884, respectively. Generally, the term "Mercantile" as used herein

refers to the present corporation or its predecessor, the Safe Deposit & Trust Company.

Mercantile's trust division acts as trustee, executor, guardian, or agent under various trust estates. Continuously for many years, officials and directors of Mercantile have had membership on the boards and have been officers of ACL company and Coast Line.

Under 218 separate accounts involving various representative capacities, as of July 13, 1960, Mercantile held 390,369 shares or 55.3 percent of the stock of ACL company, and beneficially owned 4,725 shares or 0.7 percent of such stock; under 169 accounts it held 145,129 shares or 5.5 percent of the common stock of Coast Line, and beneficially owned 30 shares of its original preferred stock; and under 73 accounts it held 29,314 shares or 0.6 percent of Seabord's stock. In various fiduciary or agency capacities Mercantile holds 19,480 shares of stock of the L-and-N, and beneficially owns 1,000 shares of such stock. Mercantile exercises the voting rights relating to shares of stock which it owns beneficially, and those which it holds as sole trustee. Likewise, with the consent of any joint trustees, or approval of the principals, it votes the shares held as co-trustee and as agent.

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Computed on the basis of the ratio of exchange provided in the merger plan, ACL company (which owns 933,200 shares of Coast Line's common stock and 1,010 shares of the original preferred stock together constituting approximately 35.4 percent of the stock of Coast Line) after the merger would own 1,328,174 shares or approximately 15.2 percent of the capital stock of the merged company. Any control over the merged company which Mercantile might possess in the future necessarily would be exercised through ACL company which is subject to the jurisdiction of the Commission. Additionally,

after the merger, Mercantile's direct ownership of the stock of the merged company would amount to approximately 235,487 shares, or 2.7 percent.

Attached hereto as appendix "G" is a tabulation showing the nature of Mercantile's fiduciary and beneficial holdings of the stock of each applicant carrier, the number of shares held or owned in each category on July 13, 1960, the number of fiduciary accounts involved, and the percentage which such holdings are of the total number of shares outstanding. The same information regarding Mercantile's interests in the stock of the merged company after applying the exchange ratio also is shown.

Under deeds of trust created by the will of a past president of Mercantile, ACL company, and Coast Line, who died in 1931, 313,989 shares of ACL company's stock and 133,884 shares of Coast Line's common stock became vested in Mercantile as sole trustee. The holdings have been reduced by distributions under the deeds and will so that in July 1960, the trusts embraced 240,100 and 73,276 shares, respectively. Of such remaining totals, in order shown, 94,197 and 17,664 shares are to be surrendered upon the death of the survivor of 2 persons, the younger of whom (at the time of the hearing) was approximately 64 years of age; and 75,358 and 14,131 shares would be surrendered upon the death of the last survivor of 3 persons, the youngest of whom was approximately 75 years of age. When the events take place, Mercantile's holdings in all capacities would be reduced from 395,094 shares of ACL company stock and 145,129 shares of Coast Line's common stock to 225,539 and 113,334 shares, respectively. In that manner, Mercantile's stock interest in ACL company would be reduced from about 56 percent to about 32 percent, and the remaining interest (except 0.7 percent) would continue to be subject to the provision of similar fiduciary requirements.

The president of Mercantile, a vice-president of its trust division, and assistant secretary and an assistant treasurer also are officers of the ACL company. The president of Mercantile, serves as a member and chairman of the executive committee of the boards of the ACL company and Coast Line. Additionally, he holds positions as chairman of the executive committee of the board, and director of the

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L-and-N. Another director of Mercantile, ACL company, and Coast Line also is a director of L-and-N. Among other directors and officers of Mercantile and its trust division are 4 individuals who serve as directors, executive committee members, and/or officers of 7 railroads subject to the act,[5] none of which are related to Seaboard or Coast Line.

Aside from small holdings of securities of other railroad that might be included in the fiduciary accounts administered by Mercantile, it owns minor amounts of capital stock of railroads other than those related to Seaboard and Coast Line, discussed hereinabove. Included are about 2,000 shares of stock of the Southern Pacific Company, acquired upon conversion of certain bonds of that company, and less than 1,000 shares of preferred stock of the Baltimore & Ohio Railroad.

APPLICANT'S EVIDENCE

Economics Reports. Realization of the possibility that financial and operational advantages might accrue from consummation of a corporate merger and physical consolidation of the properties and franchises of Seaboard and Coast Line,

[5]The Canton Railroad Company, Philadelphia, Baltimore & Washington Railroad, Baltimore & Ohio Railroad Company, Central Railroad of New Jersey, Baltimore & Ohio Chicago Terminal Railroad Company, Cincinnati, Indianapolis & Westefn Railroad, and Lehigh & Hudson River Railway.

initially arose during the course of conferences in September 1958 between the presidents of those railroads. Exploratory studies indicated that a formal merger could provide the means of eliminating separately owned duplicative facilities of the railroads, and the combining of transportation operations and services to an extent not attainable under separate operation, or, under any other form of amalgamation. Discussion by the officers with the separate boards of the applicants resulted in the securing of preliminary approvals. Desiring to accumulate and coordinate all the essential factual data necessary to determine the feasibility of proceeding toward a merger, in October 1958, Seaboard and Coast Line together engaged two outside organizations to plan and supervise exhaustive studies in concert with the applicants' respective staffs. Operating and engineering aspects of the studies and consideration of the economics of a consolidation, if feasible, were referred to Wyer, Dick and Company (Wyer), and Coverdale and Colpitts (Coverdale), each a leading transportation and engineering consultant firm with considerable experience in merger and reorganization transactions and other major proposals involving railroad corporations. Generally, the work in developing various phases of the studies was divided between these consultants in the interest of expediting completion of the project and avoiding duplication of their separate efforts.

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The subjects which the consultants investigated first were discussed with and agreed upon by a steering committee, whose members were the senior assistant to the president of Coast Line, the vice president — finance and accounting of Seaboard, the vice president of Railway Advisory Services, (a public relations firm whose members are retired officials of the applicants) the senior partner of Coverdale, and the president of Wyer. The committee outlined and directed the work of the appropriate departments and personnel of the

applicants in the gathering and tabulation of statistics and other data required in the programmed studies. It also instigated and approved with the concurrence of the department heads involved, so-called "procedure sheets" which governed the mechanics of accumulating and preparing data, and the theories, assumptions, and formulae to be utilized in arriving at conclusions and recommendations.

The joint report of Wyer and Coverdale, entitled "Report on Economics of Proposed Consolidation," was submitted to the managements of Seaboard and Coast Line, on February 23, 1960. Embraced are 18 definitive studies and 6 related appendices, which purport to support the estimates, conclusions, and recommendations developed by the consultants. The applicants presented the report as its principal supporting document, and adduced considerable evidence in proof of the substance thereof.

Estimated savings. The aggregate effect of the principal advantages to the merged company contemplated by the engineer-operations consultants, adjusted to reflect current general economic and railroad traffic conditions as of January 1, 1960, show the following:

Estimated ultimate annual increase in net income before Federal income taxes	$38,732,624
Estimated gross cash required to give effect to the proposed consolidations	$66,178,231
Estimated cash realizable from salvage, abandonments, nonrecurring income tax savings, etc.	$67,462,598
Net cash realizable from consolidations	$ 1,284,367

On the basis of the savings potentiality as computed, the consolidated operations would benefit the merged company by an increase of 1.4 percent in net revenues and a simultaneous decrease of 2.2 percent in gross ton-miles operated. The merged company would operate 11.3 percent less mileage and

employ 15.3 percent fewer persons, and, its operating ratio would be reduced from the combined Seaboard and Coast Line ratio of 80.9 percent to approximately 70

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percent, an improvement of about 10.9 percent. Attached hereto as appendix "H" is a tabulation showing the adjusted net results of each of the component studies and the related net cash requirements, if any.

The estimated savings would not be fully realized until after a period of transition during which the various features of the consolidation would be completed and become operative. The estimates indicate that complete fulfillment would occur during the fifth year, and that the progress made in realizing the savings and the cumulative requirements for cash to proceed with the merger, as of the end of each of the first 5 years after approval, would be as follows:

ESTIMATED CUMULATIVE RESULTS OF MERGER

End of year	Annual savings	Percent attained	Gross cash required	Gross cash realized
First	$ 7,396,252	19	$24,979,030	$17,963,811
Second	19,472,686	50	52,038,116	45,584,339
Third	31,039,931	80	62,448,059	60,840,462
Fourth	35,727,737	92	65,878,610	65,763,813
Fifth	38,732,624	100	66,178,231	67,462,598

Changes in facilities. Seaboard and Coast Line each own separate station and terminal facilities at 75 points which they both serve, of which, 5 such common points are in Virginia, 9 in North Carolina, 14 in South Carolina, 6 in Georgia, 3 in Alabama, and 38 in Florida. Studies and field surveys reveal that substantial savings would be derived by consolidation of the facilities at 67 of the common points (33 in Florida). Included

in the recommendations are the construction of extensive new facilities at Jacksonville, Atlanta, Savannah, and Tampa, at a cost estimated to aggregate $23,394,336. The total cost of consolidation at the remaining 63 common points would be $3,300,116, and the cost of relocating existing facilities at these points studied would total $269,001. The estimated cost would be offset by the amount of $10,039,631 comprising the value of properties recovered; $7,050,035 nonrecurring income tax savings $2,246,903; and avoidance of foreseeable extraordinary expenditures $742,693. Considering the cost of the capital required to complete the consolidation of stations and terminals at 5 percent, or $246,189, the amount of savings in connection with all the projects contemplated would be $3,926, 799. Cash requirements in excess of the cash realizable from salvage and other materials released at the common points would total $16,923,822.

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Modification of existing yards and facilities at Richmond, Charleston, Savannah, Atlanta, Birmingham, and Jacksonville would be undertaken to combine the applicants' operations and permit use in whole or in part, of the properties of one applicant and elimination of the other's corresponding tracks, yards, and terminals. Such proposals, and similar changes at Wilmington and Tampa, (details not shown in the report) would result in annual net savings, and produce cash in excess of the cost of instituting the changes, or require additional cash, as follows:

Common point	*Annual savings*	*Cash realized*
Richmond	$ 516,428	$ 625,134
Charleston	281,696	369,139
Savannah	773,076	583,433
Atlanta	528,849	213,531
Birmingham	238,517	735,724

Jacksonville	1,181,773*	19,217,183†
Wilmington	156,558	93,076
Tampa	779,000	411,219†

*denotes net loss annually.

†denotes cash required in excess of cash recoverable from materials, etc.

The proposed consolidation at Jacksonville, in terms of prospective annual savings and cash requirements appears to be wholly disadvantageous, and requires a detailed explanation. Involved in the considerations are two main lines of each applicant, each of which serves points in Florida. Seaboard's lines converge at Gross, Fla., and Coast Line's converge at Waycross, Ga., and one line of each extends via Jacksonville to points south and west thereof. Seaboard has main freight yards at Jacksonville and Baldwin, and also uses yards at Savannah for combining and segregating traffic to and from Jacksonville and other points in Florida. Coast Line's main freight yards are at Jacksonville, Waycross, and High Springs. A new modern hump retarder yard, with 84 classification tracks, would be constructed at Jacksonville to handle the combined through traffic of the applicants as well as the interchange traffic of the East Coast railway, and the classification of Jacksonville industrial traffic. Between 4,000 and 4,600 cars per day would be handled. The new yard would be located north of Coast Line's Baldwin line, and its construction would permit retirement of yards and tracks within Jacksonville, including Coast Line's "C" yard,

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enginehouses, car repair tracks, buildings, and other facilities at Moncrief; the major portion of Seaboard's West Jacksonville yard; and one track of Seaboard's double track main line between Beaver Street and Milldale. Additionally, Coast Line's yard facilities at Waycross and High

Springs would be reduced in size; the double tracks lines between Jesup and Burroughs, Ga., and between Folkston, Ga., and Callahan, Fla., would be changed to single track; and the line between Jesup and Folkston would be abandoned. Likewise, Seaboard's switching requirements at Savannah would be reduced and the Baldwin yard and the line between Callahan and Baldwin would be abandoned.

Such additional net savings attributable to the new yard is estimated to be $3,727,764, and cash realized would be $4,805,788. Together, the changes at Jacksonville and at affected terminals beyond Jacksonville would permit through movement of solid trains to Richmond for delivery to the Potomac company with no terminal handling at points enroute. Considered as a single related consolidation, the net savings from all sources produced by construction of the yard at Jacksonville would be $2,545,991, or, the equivalent of 17.7 percent return on the net investment of $14,411,395.

As separate independent railroads, Seaboard and Coast Line each maintains offices and headquarter organizations for its various departments and divisions. Each also has numerous off-line offices. The comparable offices of each perform the same functions, and, necessarily many of the facilities are duplicative. Based upon office employment and payrolls on January 1, 1959, and other expenses during 1958 pertaining to the existing organizations, annual net savings by consolidation of the general offices in the manner proposed, would be as follows:

Salaries and wages	$ 7,600,944
Payroll taxes and fringe benefits	1,329,405
Other related expenses	1,097,194
Total savings	$10,027,543

The employees of Seaboard and Coast Line at the offices, departments, and divisions where savings would be feasible by

consolidation of the facilities and forces involve 3,954 employees with monthly salaries aggregating $2,220,224. The merged company would function with 2,850 employees having monthly salaries estimated to total $1,586,812. The savings so produced would be equivalent to approximately 28.5 percent of the present costs. Annual expenses incurred at the offices in question, exclusive of

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salaries and wages, presently aggregate $4,076,072. After the proposals take effect the merged company would incur annual expenditures of $2,978,878, the equivalent of savings of approximately 26.9 percent of the present costs involved.

Consolidation of the handling of less-carload freight by railroad and by truck in conjunction therewith would provide savings of $83,137 annually, in addition to the savings accruing from combining the facilities and forces involved, which are discussed hereinabove. Seaboard's transfer facilities at Hamlet and in the new Jacksonville yard would be utilized, and Coast Line's facilities at 4 points would be discontinued. Added costs aggregating $40,976 would result from duplicate handling in some instances of lading which heretofore had been handled only once. Studies of truck routes operated by Seaboard and Coast Line show that 51 routes in place of 55 routes operated presently would be required, and that the change in such operations would contribute $85,592 savings to the net result shown.

The savings to accrue from the pooling of operating and heavy repair equipment of Seaboard and Coast Line as an element of the proposed merger are summarized as follows:

Item	*Annual Savings*	*Cash Realized*
Freight train cars	$750,334	$ —
Passenger train cars	313,979	95,381
Locomotives	736,767	1,458,231
Work equipment, etc.	293,148	469,439

Likewise, the merged company would enjoy savings generated by the pooling of general repair facilities and forces used in making heavy repairs to various types of operating equipment. Heavy repair work would be consolidated according to the type of equipment and repairs, as follows: Locomotives at Jacksonville; work equipment at West Jacksonville; wheel and axle work, and repair of roadway maintenance equipment at Hamlet; and freight and passenger cars at Waycross, where also would be located the general scrap yard. The present shops at Portsmouth, Rocky Mount, and Tampa would be abandoned. The proposed pooling of the heavy repair equipment would permit annual savings to the merged company of $2,174,877; and $916,664 additional cash would be required in excess of the cash realizable for salvage and other credits.

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Savings of similar nature would accrue from consolidation of the stores facilities of the applicants and reducing the levels of materials and supplies inventories. The merged company's principal storehouses would be situated at 8 points. Including various related items of nonrecurring savings, the proposed consolidation would provide $6,075,506 cash to the merged company. Annual savings would be realized on the basis of 5-percent interest on the amount saved, plus reductions in payrolls and payroll tax expenses, and elimination of various employee benefits.

The property, franchise, and license taxes paid to the various states by Seaboard and Coast Line in 1958 totaled $9,641,097. Estimates show that the annual state taxes of the merged company would increase about $1,000,000 after all the proposed savings have been realized.

The cumulative cost of providing pensions, group life insurance, and hospitalization, surgical, and major medical in-

surance for officers, supervisors, and other employees not subject to labor organization contracts also would be affected by the proposals herein. Estimates are based upon employment levels contemplated to prevail when the merger is fully in force, but, at prices based upon 1959 cost levels. Where the benefits of the two companies vary, the best features of each present plan are to be adopted by the merged company. In total, the changes proposed in each fringe benefit plan and the additional annual costs for covering the approximately 2,400 employees involved, would be as follows:

Plan	*Combined Present Cost*	*Proposed Cost*	*Added-Cost*
Pensions	$341,000	$ 636,000	$295,000
Group life insurance	209,000	204,000	5,000*
Hospitalization, etc.	420,000	432,000	12,000
Totals	$970,000	$1,272,000	302,000

*Denotes reduced cost or savings.

Other general areas where savings advantages would be realized incidental to the proposed consolidation of stations and terminals, elimination of duplicative facilities, abandonment of lines, and the utilization of shorter and more economical routes for normal operations, include systemwide pooling of freight and passenger cars, locomotives, and roadway maintenance equipment; elimination of the supplying of cars separately by Seaboard and Coast Line to major users and to connecting short line railroads for prospective loading; rearrangements of service to reduce or eliminate

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delays in handling of traffic; reduced car rental payments; consolidation of roadway maintenance work equipment and avoidance of purchase of new equipment presently contemplated; reduced number of company business cars; and similar types of savings by oper-

ations of one railroad system in lieu of two systems. Partially in the nature of offsets to the foregoing savings, are losses of revenues for the performance of switching services not required because of the elimination of the movement of noncompetitive traffic formerly requiring switch movements between the applicants' respective lines, and loss of the differences between tariff charges for movement from the terminal of one applicant to that of the other, and for switching within the consolidated terminal of the merged company. Losses also would be incurred in conjunction with rents of buildings and other properties, miscellaneous revenues, other rental income, and income from nonoperating properties. Estimates, based upon 1958 charges and revenues, within the areas affected, indicate decreases in switching revenues, rentals, and miscellaneous revenues in the amount of $194,636, and increases in freight revenue and rental income related to operating property becoming available for lease at points where facilities are consolidated, would total $76,708, which would produce a net loss to the merged company of $117,928.

Abandonment of duplicate lines. In certain locations, the lines of Seaboard and Coast Line generally closely parallel each other, and, at other places the lines are not parallel but serve the same area and points. Physical consolidation of the properties of the applicants in conjunction with the proposed merger would permit some of the lines to be abandoned, in whole or in part, without impairment of ability to maintain good service to affected important shipping and receiving points, and without substantial loss of revenues or increased expenses. Of 59 lines or segments considered amenable to such action, abandonment was found feasible in 48 instances involving approximately 1,013 miles of line, including 516 miles of line of Coast Line and 497 miles of Seaboard's. Additionally, small segments of line aggregating 44 miles, all situated within terminals at the common points, would be eliminated.

In the aggregate, the estimated financial results of the abandonment of the 1,013 miles of line, would as follows: Salvage of recoverable materials $14,645,436; cost of new connecting lines and other construction $3,048,024; nonrecurring income tax savings $7,102,486; and increased net cash $20,201,730. The abandonments would effect increased net income before taxes in the amount of $7,334,698 annually and permit the avoidance of expenditures for foreseeable maintenance and rehabilitation costs in the amount of $1,676,062.

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Among the principal abandonments recommended are Seaboard's lines between Charleston and Bridge Junction near Savannah, 86.18 miles, and between Lumpkin, Ga., and Montgomery, 96.42 miles; and Coast Line's cut-off line between Jesup and Folkston, 53.23 miles. In lieu of the Charleston-Savannah route of Seaboard, Coast Line's line, which is 8 miles longer, would be the main line of the merged company. The arrangement would avoid low, swampy terrain and eliminate many bridges which caused high maintenance costs. In lieu of the Lumpkin-Montgomery line, the merged company would provide service over Coast Line's line through Bainbridge, Ga. Seaboard's present line between Callahan and Savannah would be the merged company's main route for freight and passenger traffic moving north and south; and Jesup, Nahunta, and Folkston, on the parallel cut-off of Coast Line would continue to be served by other of the merged company's lines.

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Attached hereto as appendix "I," is a tabulation of the lines or portions of lines recommended by the consultants for abandonment, and for each, the mileage of Seaboard or Coast Line affected; estimates of revenues that would be lost annually if the lines are abandoned; cash requirements or cash realized from the project giving effect to savings pertaining to the avoid-

ance of extraordinary expenditures, cost of property acquisitions and relocations, and nonrecurring income tax savings; and annual net savings after adjustment to reflect the receipt or payment of interest at 5 percent on the cash required or realized.

Because of the anticipated reduction in mileage of the merged company compared to the applicants' combined present mileage, the proposed abandonments would make available for release, 3 yard locomotives and 32 road locomotives presently in operation. Also, in the event the described abandonments are applied for and permitted, the merged company would be able to eliminate 1,622 highway and city-street grade crossings presently existing on the lines of Seaboard and Coast Line. Among those eliminated would be 654 in Florida, 377 in South Carolina, 274 in North Carolina, 127 in Georgia, 105 in Alabama, and 85 in Virginia.

The application herein does not embrace requests for certificates of public convenience and necessity to permit abandonment of any lines or portions of lines. Applicants' executive officers asserted that decisions as to seeking permission to abandon the lines in question would be held in abeyance until after the proposed merger is approved. The final determinations on abandonment applications would be based upon business judgments in light of circumstances prevailing after other aspects of the statutory merger and consolidation of properties of the applicants are effectuated.

For the reason that the effect of the recommended abandonments upon the present and future public convenience and necessity would be outside the scope of the merger application herein, the examiner rejected offers by various interveners of evidence regarding the abandonments mentioned. Several of the interveners in opposition requested dismissal or denial of the application in its entirety on grounds that a substantial por-

tion of the contemplated savings relate directly or indirectly to the financial benefits that would be derived if the abandonments were permitted. Prior to effecting any abandonments, substantial savings would accrue from the consolidation of stations and terminals, elimination of separate trains of the applicants which duplicate freight and passenger service; consolidation of general offices, departments, divisions, off-line offices, heavy repair facilities, and other properties; institution of shorter routes and elimination of interchange between the applicants; pooling of less-carload traffic, and pooling of equipment and inventories of materials and supplies.

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Many of those savings could be achieved as quickly as the combining of the administrative organizations of the applicants is completed. In view of the showing of record that prospective savings are not related entirely to the proposed abandonments being permitted, the Commission should deny the motions of the interveners for dismissal of the proceedings.

If in the future, the abandonments recommended by the consultants are permitted and effectuated, the pattern of movement of traffic over the remaining lines of the merged company necessarily would change because of rerouting and differences in the handling of interchange traffic. Based upon comparisons of studies of the density of traffic during 1957, over the affected lines of Seaboard and Coast Line, and estimates of the density of future traffic flow over the retained lines, annual savings of $4,552,664, and a net cash expenditure of $1,783,086 would be involved. Computations in this regard take into consideration various factors in which changes in the existing facilities, and the present manner of operation would be accomplished.

Changes in routes and through train service. The merged company would establish through freight routes which take

best advantage of the shorter available lines and the most economical operations over the consolidated facilities of the applicants. Of the proposed new routes, one of the more important involves the movement of traffic between Richmond and Savannah over the line of Coast Line via Dillon, utilizing a shorter route over a double tracked line of not more than 0.5 percent ruling grade compared to grades up to 1.0 percent if Seaboard's line were used. Also, between these terminals an alternative major route would be used primarily in serving intermediate points over Seaboard to Dillon, and Coast Line to Savannah. The route between Savannah and Jacksonville would be over Seaboard via Callahan, which is shorter than Coast Line's route between those points, thence over Coast Line. This would permit abandonment, north of Callahan, of Coast Line's cut-off line between Jesup and Folkston. South of Jacksonville, the routes proposed would be over Seaboard via Wildwood to Miami, with diverging routes south of Wildwood over Seaboard via St. Catherine to Owensboro and Coast Line to Tampa; and from St. Catherine over Coast Line to Brooksville, Seaboard to Drexel, and Coast Line to St. Petersburg. These routes would permit use of Wildwood as a concentration point and minimize use of Coast Line's line via Palatka, which is subject to speed restrictions because of congested areas and drawbridges.

Attached hereto as appendix "J," is a list of the primary freight routes which the merged company would establish between the principal terminals presently served by Seaboard or Coast Line. In parallel columns are shown the mileages of the proposed new routes and the mileages between the same points over the present direct routes of the applicants.

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If the proposed new routes had been used in 1957, the freight which the applicants together transported between the points involved would have generated 1,983,110,000 fewer

gross-ton miles than the applicants actually operated. On the basis of system average train costs of $1.12 per 1,000 gross-ton miles, annual savings of out-of-pocket costs in the amount of $2,221,083 would have resulted from operating over the proposed shorter and more economical routes.

Many of the freight trains operated by Seaboard and Coast Line provide duplicative service between the same major terminals on practically the same schedules, and often operate with less than full tonnage. The merged company would be able to handle the combined traffic on the same schedules by operating fewer trains with heavier loads. On the basis of actual counts of freight trains operated by each applicant during 1 test week each in November 1957, and February, May, and August 1958, the number of trains, tonnage handled, origin and destination of the tonnage involved, and the number of locomotive units were projected to determine estimated annual totals. The elimination of duplicate freight trains would save 556,374 train miles and 1,415,778 locomotive-unit miles. Applying crew wages of $1.022 per mile for operation of 3-unit diesels hauling less than 80 freight cars, and $1.055 per mile for 5-unit diesels with 150 cars per train, the total savings is estimated to be $564,434. Additional related savings pertaining to reduced costs for repairs of locomotives; locomotive fuel, lube oil, and other supplies; enginehouse materials; train supplies; vacations and paid holidays, and payroll taxes on the wages involved, brings the estimated annual savings from elimination of duplicate freight train services to $1,271,672, based upon the 1957-58 freight train experience.

Seaboard and Coast Line operate numerous passenger trains on daily schedules competitive with each other in transporting tourists from eastern cities including New York, Philadelphia, and Washington to points in Florida and return. Both operate over their own tracks to the major points on the west coast of Florida, and Seaboard also operates on its tracks to

points on the east coast from West Palm Beach to Miami, and in some instances, splits trains at Wildwood for movement to Miami and to the Tampa-St. Petersburg area. Coast Line provides passenger service to the West Palm Beach-Miami area via Jacksonville, with through connections on the East Coast railway. Coast Line's so-called "Havannah Special" splits at Jacksonville with some cars being delivered to the East Coast for movement to Miami and intermediate points, and the remainder to Tampa via Sanford. Its "West Coast Champion" splits at Jacksonville with one section operating to Tampa via Orlando, and the other operating via Gainesville. It also operates trains via Gainesville, Ocala, and Clearwater to St. Petersburg.

Studies of the passenger train service of both applicants between Richmond and points in Florida, determined

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the number of passengers moving on each train, the points of origin and destination stations for each, and the total revenues received by each applicant. Thereupon, schedules and train consists were developed to determine how the combined available traffic could be handled by the merged company with the same or improved operating schedules. Coast Line's present "Florida Special" Train would be operated south of Jacksonville over Seaboard's present tracks rather than over East Coast's facilities as presently operated. This is suggested as a means of relieving East Coast from the net operating losses consistently incurred by operation of that train, but, if East Coast prefers, the operation of this train would continue without change. Under the proposed schedules the merged company would operate 962,468 fewer passenger-train miles than Seaboard and Coast Line presently operate, and would save 1,614,247 diesel-unit miles, and 4,209,392 passenger-car miles.

The proposed new passenger schedules of the merged company would produce financial results as follows: Loss of $73,004 revenues related to local traffic in Florida on the trains under consideration and the loss of passengers on those trains to and from points beyond the lines of the merged company; loss of mail revenue $588,479 because of elimination of duplicative trains between Richmond and Hamlet and between Jacksonville and St. Petersburg; and loss of express revenue $47,184 on traffic between Richmond and Atlanta. Dining car revenues would increase $53,457 upon operation of the "Florida Special" over lines of the merged company instead of over lines of East Coast south of Jacksonville. Estimated net savings in total costs of operating the proposed schedules involve crew wages and locomotive repairs and supplies $662,286; and passenger car repairs, train supplies and expenses, dining car costs, and equipment rents and other items $1,920,778. Other expenses, including joint facility rents $118,484, payroll tax reduction $79,380 and several minor items would increase $42,066. The estimated net annual savings due to elimination of duplicative passenger train service would total $1,223,502.

Prospective diversion of traffic. Extensive analyses by electronic computors were made of data drawn form waybills covering every interline carload of freight which moved over the lines of each applicant, including their separately operated subsidiaries, during 4 months of 1957. The totals were expanded to reflect operations for the entire year, and data covering every carload which moved locally (not interline traffic) over the lines of either applicant during 1957, were included in the studies. Based upon such studies, it is anticipated that the merged company would be in position to attract and successfully handle more freight traffic than the total of that which Seaboard and Coast Line heretofore enjoyed. The studies

in question embraced constructive and actual freight traffic data, as follow:

Totals – 1957	Seaboard Coast Line (including subsidiaries)	
Number of carloads	1,064,150	1,094,164
Weight (1,000 pounds)	94,705,697	91,276,776
Freight revenues	$138,928,564	$139,673,614

The foregoing analysis, and related computations led to decisions that the principal changes in the traffic pattern attributable to the longer hauls available to the merged company would involve shifts in Seaboard's operations whereby interchanges presently made at Columbus would be made at Birmingham; those at Macon would be at Atlanta; those at Vidalia changed to Spartanburg; and those at Savannah would be made at Atlanta. Coast Line's operations and principal rerouting would involve shifting the present interchange of traffic from Augusta to Atlanta or to Birmingham; from Spartanburg to Bostic; and from Jacksonville to Miami. On these premises, the estimated diversion of additional freight traffic to the lines of the merged company would result in revenue losses to other railroads in the amounts shown in the tabulation below. Also shown are the total carload revenues which accrued to each of the carriers named during 1957, and the percent equivalent of the estimated losses in relation to the total freight revenue.

Affected Railroad	Carload Freight Revenue – 1957	Estimated Annual Revenue Losses	Percent Loss Revenue
Central of Georgia	$ 40,593,994	$2,308,081	5.69
Georgia (1)	7,067,797	1,400,116	19.81
Southern	227,169,271	469,956	0.21
Georgia & Florida	3,498,110	369,549	10.56
Columbia, Newberry & Laurens (2)	988,461*	338,415	34.24

Florida East Coast	30,226,222	312,395	1.03
Norfolk Southern	10,316,723	274,144	2.66
Louisv & Nashv (3)	200,241,358	200,829	0.10
Norfolk & Western	236,130,476	159,034	0.07
Peidmont & Northern	5,949,689	143,584	2.41
Georgia, Sou & Fla.	8,544,411	138,418	1.62
Savannah & Atlanta	3,948,004	118,081	2.99
Gulf, Mobile & Ohio	81,708,769	99,341	0.12
Virginian	62,086,276	93,496	0.15
Western of Alabama	3,309,702	47,865	1.45
Atlantic & Danville	1,617,810°	47,576	2.94
All others	—	88,091	—
Total Freight Revenue Diversion		$6,608,971	

(°) Total freight revenue.
(1) Operated under lease by Coast Line and Louisville & Nashville.
(2) Coast Line owns majority of capital stock.
(3) Coast Line owns about 33.7% of capital stock.

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The potential diversion of carload freight traffic which the merged company would enjoy would result in the addition of 1,357,370,000 gross ton-miles and 5,098,392 private line car-miles. Applying average out-of-pocket costs of handling the added volume of traffic at the rate of $1.36 per thousand gross ton-miles, and $0.04 per private line car-mile, the estimated additional freight revenues would be offset $2,049,959. Thus, the potential total additional net income of the merged company before Federal income taxes would be $4,559,012 annually. These conclusions regard only potential changes in the handling of interline traffic heretofore participated in by Seaboard or Coast Line, and does not evaluate the possibility of attracting traffic presently not handled by the applicants.

The waybill studies further indicate the extent to which the merged company's revenues on certain traffic would be susceptible to decreases in relation to the combined revenues of Seaboard and Coast Line on the same type of traffic each year.

Because lower freight revenues accrue on bulk commodities such as sand, gravel, and pulpwood, which move via single-line routes, than are applicable if the same traffic moves over lines of more than one railroad, the merged company would lose a proportion of the revenues now accruing to the applicants. Likewise, as to bulk commodities which move under mileage rates, use of the proposed shorter routes of the merged company would result in the loss of some of the present revenues of Seaboard and Coast Line. The consultants estimate that $708,623 annual revenue related to the foregoing classes of traffic presently handled by the applicants would not flow to the merged company. Other revenue losses would occur because less traffic physically moving over the merged company's lines due to the retaliatory adverse routing by connecting and competing railroads, discussed in detail hereinafter. Within such categories would be fresh fruit and vegetables which originate at points in Florida, and other available traffic heretofore routed over the lines of Seaboard and Coast Line as overhead carriers. The estimates show that the merged company's annual losses in this regard would total about $963,198.

As shown, the predicted changes in routing by other railroads and by shippers friendly to them, and the physical loss of traffic to the merged company would cause a reduction of 254,280,000 gross ton-miles and 2,395,638 private line car-miles. Applying system average out-of-pocket costs determined to be $2.52 per 1,000 gross ton-miles, and private line car hire at $0.04 per car-mile, savings in operating expenses would inure in the amount of $736,612 annually. Thus, the net losses due to adverse routing would be $226,586 annually, which together with the effect of lower applicable single-line and other rates would reduce the merged company's prospective net income before Federal income taxes $935,209 annually, based upon the constructive 1957 volume of traffic handled by Seaboard and Coast Line.

The foregoing estimates as to particular traffic that would be subject to divergence to the merged company were made in light of the anticipated full changeover in physical plant and traffic development that would take place up to about 5 years after consummation of the merger; that every existing route with other railroads would remain open; that no railroad's lines, other than those comprising the proposed system of the merged company would receive preference in the routing of traffic; that any proposed diversion would be over new routes expected to be superior to existing comparable routes; that service over the merged company's route in question would be equal or superior to service over the existing routes; and that no substantially circuitous routes would be adopted merely as a means of securing a longer haul for the merged company. The merged company would honor the existing routing policies of Seaboard and Coast Line pertaining to traffic handled over their respective lines, and, where short-hauling has been practiced by the applicants in deference to routes over lines of weak connecting carriers, such policies would continue to be followed. If the aforesaid policies of restricting the efforts of the merged company are disregarded, and all-out diversion is attempted, estimates are that the potential volume of traffic susceptible to routing for longer hauls by the merged company would involve 206,990 carloads of freight consisting of 7,409,298 tons, with total potential revenues to the merged company of $14,245,329 annually.

Consintent with the avowed intention not to alter drastically the situation as to capturing traffic not presently handled by Seaboard and/or Coast Line, the applicants express willingness to have the operations of the merged company restricted under conditions made part of the authorization, which would require the merged company to maintain and continue in effect the present participation which Seaboard and Coast Line presently afford in existing routes and channels of trade via the ex-

isting junctions and gateways. The applicants submit that such conditions would protect each connecting and competing railroad and permit them to retain the traffic they now handle in conjunction with railroads other than the applicants, and to some extent would enable those railroads to divert traffic from the merged company on the basis of effective solicitation. Specific conditions, representing adaptations of those imposed by the Commission in *Erie R. Co. Merger*, 312 I.C.C. 185 (229 *et seq.*) and cases cited therein, are agreed to for imposition by the Commission upon any approval of the proposed merger herein.

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General economic considerations. The applicants' pervading attitude is that the proposed merged company would be in position to improve transportation service to the public, and simultaneously to benefit from substantial economies in operating costs. Seaboard and Coast Line contemplate that the consolidation of the properties under single ownership and management would provide more efficient utilization of motive power and operating equipment and permit elimination of duplicate facilities presently maintained by Seaboard and Coast Line and their subsidiaries. Foreseen, are substantial reductions in direct costs of attracting traffic and in general expenses now incurred. Also, the merged company would better be able to control operating costs and increase the railroad's ability to compete with existing highway, airway, and waterway transportation services.

In support thereof, the applicants present statistical evidence which indicates a steady deterioration of the position of the railroad industry generally, and an accompanying rise in the ability of competing modes of transportation to divert freight and passenger traffic away from the railroads. Among other things, the data shows that in past years the railroads had

a virtual monopoly on intercity freight traffic, but, railroad participation had slipped to about 67 percent in 1946 and declined to 46 percent in 1958; and that assigning 1947 revenue totals as an index of 100, in 1958 the national income had risen to almost 200, water carrier revenues rose to about 175, pipe line revenues to about 225, motor carriers' about 280, and air carriers' to almost 450, while during the same period the revenues of railroads had remained almost static and in 1958 was only slightly higher than in 1947. Based upon averages for 1947-49 as the index of 100, wage rates of all railway employees had risen to approximately 200 in 1959; charge-out prices on railway material and fuel utilized had risen to practically 150, and railroad net revenues per ton-mile (Class I railroads) was somewhat below 120 in 1959. Also, railroad employers contributed for each employee about $504 per year to railroad retirement and unemployment funds compared to the contribution to social security and state unemployment taxes of about $197 per year for each employee covered in nonrailroad industry employment.

Considering particularly the southeast area which they serve, the applicants point out that between 1948 and 1959, practically every measure of economic growth has increased. Expressed in comparison to 1948 data, are shown the following factors of relative growth of the area generally: Combined estimated population 28 percent; retail sales 102 percent; production of electric power 181 percent; construction contracts awarded 297 percent; motor vehicle registrations (including trucks) 114 percent; and telephone installations 158 percent. In contrast, within the same geographic area, growth pertaining to railroad statistics

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are shown as follows: Net railway operating income, (which fluctuated widely during the period) 66 percent over the 1948 total in 1957, 48 percent in 1958,

and 56 percent in 1959; freight revenue 24 percent in 1959; passenger train revenue decreased 8 percent; revenue ton-miles 28 percent increase, and passenger miles 42 percent decrease. Truck registrations in the affected states in 1948 totaled 900,000 units, and in 1959 totaled approximately 1,490,000, or, an increase of about 66 percent. The truck registration growth in the individual states ranged from 45 percent growth in Virginia to 92 percent in Florida during the years studied.

Other studies pertain to the declining position of the railroads in the southeast in regard to their relative participation in transportation of the total freight available. Specifically designed road and terminal checks were made of highway traffic at 21 of the largest points served by the applicants (excluding Richmond and Miami, the northernmost and the southernmost points), and analyses were made of available statistics dealing with other carrier forms, published under governmental and private auspices. In addition to estimates of the impact of motor carrier competition, studies pertain to the relative growth of transportation services provided by coastwide water carriers between northeastern ports and points and those in Florida and along the Gulf of Mexico; barge line operations in the movement of superphosphates from points in Florida via the inland waterways, coastal waterways, and sea routes; substantial movements by barge of other bulk commodities, including petroleum products, to, from, and between the areas in question; methods of transporting loaded railway cars partly by rail and partly by water by use of specialized types of vessels; and the more recent related development of combined truck and water transportation by the use of containers. Similar indications are apparent in relation to competition provided by natural gas and oil pipe line facilities operating within the affected area.

The loss of passenger business, which has declined steadily for many years, also has had an important effect upon the

traffic and revenues of both applicants since 1948. Passenger traffic showed declines over the preceding year in each year except during the 1951-53 period. In 1959, the combined total passenger-miles was below 1 billion, representing a reduction of 42 percent from the 1948 total, and in the same period, Pullman passenger-miles decreased 51 percent, and coach passenger-miles decreased 38 percent. Analysis of the passenger traffic data shows that the number of passengers carried in 1959 was 60 percent less than in 1948. Also indicated, is that the short-haul business has been diverted primarily to private automobile transportation rather than to other forms of for-hire carriers of passengers. Common carrier bus companies in the area served by the applicants also suffered loss of short-haul passengers business

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in the years studied. A considerable number of long-haul railroad passengers between the important points on the applicants' lines and the major cities in the east, served in through passenger-train service with connecting railroads, have been lost to competing airline carriers.

The applicants present considerable data comparing the subsidies extended by Federal and local governments directly and indirectly to several of the forms of transportation media which actively compete with railroads in serving the public. Vast sums of public funds have been expended for the construction of highways, improvement of waterways and their use including channels for transportation purposes, and the construction of airports, each of which tend to remove burdens from common carriers operating over and at such public facilities. Illustrative of the extent and importance of governmental aid to carriers other than railroads are shown cumulative totals of governmental expenditures in three forms of indirect subsidies to common carriers as follows:

Form of Subsidy	1955	1957	1959
	(In Millions of Dollars)		
Construction of public highways Federal funds	779	1,426	2,985
Federal, state, and local funds	7,356	9,130	11,060
Airways and grants-in-aid for airports	118.8	238.4	394.
Improvements of waterways for all purposes – Federal funds	110.5	191.2	239.7

In addition to the general topics embraced in the applicant's evidence reviewed hereinabove, are the results of studies and other material produced as direct testimony and under cross examination, related specifically to considerations involved in fixing the final ratio of stock exchange, and estimates of the effect of the proposed merger and related transactions upon railroad employees. Interverners representing minority stockholders, and witnesses on behalf of organizations of employees of the applicants and other railroads, presented evidence to disprove the position of the applicants. Under appropriate headings and subheadings hereinafter discussions of these topics and the issues related thereto, follow the portion of this report pertaining to the evidence and position of railroad interveners.

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SHIPPER AND PUBLIC EVIDENCE IN SUPPORT

Public relations efforts. Since prior to the filing of the application herein extensive public relations programs were organized by the applicants for purposes of broadcasting as widely as possible the expected advantages of the proposed

merger. The executives, department heads and other officials, counsel, and traffic and sales representatives of Seaboard and Coast Line, and others were assigned to respond to invitations to address meetings of municipal and other governmental officials, trade associations, industry promotion groups, and other persons in the affected areas. At several key points special dinner meetings of leading businessmen and public representatives were sponsored to further the applicants' points of view. Interested persons were solicited to support the application by offering testimony at the forthcoming hearings, and to forward letters and resolutions endorsing the objectives of the applicants.

At each point of hearing until the applicants completed the presentation of evidence in chief, numerous individuals appeared at the applicants' behest to testify in favor of the merger requests. Under rulings by the examiner, limiting the number of witnesses in order to avoid the taking of cumulative testimony, 29 persons representing public officials and civic organizations at various points served by the applicants, and 38 witnesses representing shippers and receivers of freight were called and heard. Numerous other persons present and desirous of testifying were refused the opportunity on ground that prior witnesses representing the same area or industry interests had presented evidence which the additionally proferred witnesses would duplicate except as to specific names, places, and tonnages. The resolutions and prepared statements which the persons who were not called to testify would have supported were excluded, but, they accompany the record as proffers of proof. The presentation of numerous witnesses making similar or identical assertions as to their needs for transportation service would unduly burden the record, and would serve no purpose not adequately observed in the recording of testimony of selected representative witnesses. The examiner's rulings should be affirmed.

Principal shipper evidence. Within the limitations imposed by the examiner, executives or traffic officials of eight manufacturers and distributors of paper products were permitted to testify in support of the applicant's proposals. Each asserted that the merged company would be able to improve the railroad service at paper plants within the areas served by the applicants. Several of the companies represented are among the largest producers of woodpulp, pulpboard, kraft board, wrapping paper, corrugated box materials, and other types of papers and

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related products. Two of the companies[7] own railroad carriers which serve their plants, and several own or lease motor vehicle equipment operated in private carriage.

The paper companies own and operate numerous plants and facilities throughout the United States and in foreign countries. Various of their primary mills, converting and processing plants, and warehouses and distribution points are served directly by lines of either or both the applicants. Plants referred to which are reached by lines of Seaboard are located at or near Auburndale, Miami Plantation, Fernandina, and Fernandina Beach, Fla., Georgetown, S. C., and Roanoke Rapids, N. C., while plants at Palatka, Fla., Doctortown, Ga., and Richmond, Va., are reached by Coast Line, and a specialty paper plant at Hartsville, S. C., has direct service from Seaboard and Coast Line. Most of the aforesaid plants also are served by lines of other railroads including L-and-N and other interveners herein.

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[7]The International Paper Company owns the Atlanta & Saint Andrews Bay Railroad Company, having 81 miles of line between the owner's plant at Panama City, Fla., and Dothan, Ala., where it connects with a line of Coast Line. The St. Marys Kraft Corporation owns the St. Marys Railroad Company, operating 11 miles of line between St. Marys and Kingsland, Ga., where it connects with a line of Seaboard.

The paper companies which support the proposals herein foresee specific benefits as a direct consequence of the merger of the properties, operations, and services of the applicants. The expected savings most directly recognizable involves the hauling of pulpwood from the areas of production along the applicants' lines. Customarily, the applicable rates on pulpwood moving to paper plants by railroads which subsequently enjoy some part of the transportation of the products manufactured therefrom, are based upon the mileage operated over the lines of the railroads involved. The unit cost per mile is lowest where a single railroad system handles the entire movement, and increases as additional railroads participate in handling the shipments in joint-line movements.

In light of their requirements for transportation, the paper companies would be in position to utilize whatever new routes the merged company would establish over the combined lines of the applicants. This, they assert, would reduce the time elapsed in transit between the terminals of the merged company, and would permit the paper companies to reduce inventories of raw materials and finished products maintained at warehouses and distribution points throughout the country. The paper companies also anticipate that consolidation of the applicants' facilities would produce greater availability of wood-rack cars for pulpwood, special large open-top cars for wood chips, and clean highgrade boxcars of modern character for the movement of outbound paper and products. Several representatives expressed hopes that the increased efficiency of the merged company

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ultimately would relieve shippers from recent repeated increases in railroad rates and influence publication of lower rates on the outbound traffic of paper companies.

In addition to the foregoing benefits, other advantages cited by the paper companies relate to the elimination of terminal switching now required to and from the plants of shippers located on lines other than those of the originating or delivering carrier, and related savings in switching charges; reduction in delays occasioned in the yards of the separate applicants in view of consolidation of existing yards; availability of more flexible combinations of routes and greater ability to alter routing for purposes of reconsignment and diversion of traffic; less cumbersome methods of tracing cars in transit; easier accounting for and balancing of charges for demurrage on cars of one applicant while on lines of the other; simplification of procedures to settle claims for damage to lading; and the opportunity to negotiate with only one company in respect of shipper proposals to establish new rates or modify existing published rates.

The proposed merger also is supported by producers of phosphate rock, a mineral used in the manufacture of fertilizers and various chemicals, which is mined principally in the western portion of Central Florida, generally known as the Pebble Rock District. The producers mine the rock which is refined, concentrated, and otherwise processed as superphosphates, triple superphosphates, deflourinated phosphates, and liquid phosphoric acid. Seaboard and Coast Line have the only lines of railroad serving the phosphate area, and participate extensively in the hauling of wet and dry rock from the mine fields to processing plants in the area. They also transport converted phosphate to consumer points which they serve; to points of interchange with connecting railroads for transhipment throughout the country; and to Tampa, Port Tampa, Boca Grande, and other Gulf of Mexico and Atlantic ports for movement by water carriers and barge lines to coastal and inland ports in the United States, and to foreign ports serving world markets.

The locations involving the mining and processing of phosphate in Florida, identified by the foregoing producers, are Bartow (Armour), from where more than 1,000,000 tons of phosphates are shipped annually, of which approximately 200,000 tons move to the producers' own fertilizer mixing plants in the southeast; Tenoroc, from where approximately 520,00 gross tons are mined annually; Coronet, at which point approximately 122,000 net tons per year are received for processing, and about 85,000 tons are shipped out; and Brewster, from where during 1960, more than 1,500,000 tons of phosphate rock, 200,000 tons of triple superphosphate,

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and about 30,000 tons of liquid phosphoric acid were produced and shipped. The port facilities at Tampa, from where during 1959, an exporting company alone shipped more than 1,500,000 tons of phosphate and triple superphosphate mined and produced in Florida, also were mentioned by supporting witnesses as being dependent upon reliable railroad service. Other points on the applicants' lines at which the same companies have plants manufacturing various products and utilize railroad services to transport phosphate rock and its products, as well as numerous other products, chemicals, and foods, include Davenport, Fla., Jacksonville, Wilmington (Navassa), Columbus, Orlando, Norfolk, and Savannah. At each of these points, Seaboard or Coast Line, or both, provide railroad service into and out of the plants.

The beneficial effects which the phosphate interests foresee as a result of the proposed merger include most of those asserted by the paper companies. Specific advantages anticipated relate to improved distribution of the applicant's combined pool of special phosphate equipment which would better assure adequate supply of cars by the merged company where and when required by the shippers; broader advantages of "transit"

privileges which restrict the outbound movement of processed phosphates by either railroad in proportion to the quantity of raw materials delivered at the plant in question; consolidation of services by one carrier at mines and plants presently served by both applicants over separate tracks and use of duplicative facilities; greater choice for the movement of traffic over consolidated routes not presently available without interchange; and increased benefits of services by railroad field representatives in suggesting preferable routes, applicable rates, and improved methods of handling and transporting the phosphate products. The exporting company, in face of growing foreign competition, expects appreciable benefits if improved efficiency of operations permit the merged company to expedite the delivery and interchange of lading at ports of embarkation. Should lower rates result from the improved position of the merged company, the exporter would be able to close contracts of sale at foreign points which presently are lost because of slight differences in favor of foreign suppliers.

Representing citrus fruit producing areas of central Florida, several large independently owned, and a major cooperative organization of growers, processors, and distributors of citrus fruits and products testified in support of the proposed merger. The cooperative is a federation of nine member associations having an aggregate of about 1,100 grower members. Each company ships substantial tonnages of fresh fruits, canned citrus products, and frozen juices and concentrates, and uses railroads, motor carriers, and water carriers to supply their transportation needs, often according to the request of the purchaser.

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Generally, the destinations are markets located throughout the United States and in Canada, with a preponderance of the traffic moving to the large urban areas of the East. The canning and processing plants are located at

Bartow, Frostproof, Avon Park, Lake Wales, and Dade City. Several of the plants are situated upon property leased from one of the applicants.

The plants are served either by Seaboard or Coast Line only, or by both, and railroad service is considered indispensible to the continued operation of the plants, although the ratio of fresh and processed citrus products moving by railroad is equal to about 15 percent of the total fresh fruit shipped, 65 percent of the canned goods, and 40 percent of the concentrates shipped to market. Of the total tonnage originated by these shippers, the ratio of the amount moving by railroad ranges between 49 percent and 65 percent.

In addition to all-rail and all-motor carrier service, several of the companies make substantial use of various types of water carrier service, including trailer-type containers which are trucked to Jacksonville or Miami terminals, thence placed upon vessels operating in so-called "sea-land" service to New Jersey ports, beyond which the containers are placed on truck tractors for delivery to the destination points. Since about 1948, the ratio of railroad transportation of Florida citrus production has dropped appreciably. Reasons ascribed for the change in the relationship of railroad to the other modes of transportation relate to the availability of lower costs for through transportation; greater flexibility in filling loads at points of origin and unloading at destination, and savings in the time elapsed from pick up of the traffic at origin point to delivery at destination. Among other reasons asserted, is that continuation of railroad service is necessary because often there is a shortage of highway and other transportation equipment to handle fresh fruits during seasons when other crops require expedited handling.

The benefits which the citrus shippers anticipate would flow from added efficiency in the operation of the merged company compared to the combined separate operations of the ap-

plicants. It is expected that the economies in the merged company's cost possibly would result in reductions in rates applicable on citrus fruits and products and make railroad service more competitive with motor-carrier service. Related to the potential reduction in rates, the citrus dealers also foresee improvements in matters of railroad car supply, settlement of claims, and ease of dealing with a single railroad in seeking adjustment of rates, information about cars in transit, and the providing of improvements in service.

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For reasons which are practically identical to those of the companies and industries discussed hereinabove, individuals interested in the transportation of other types of commodities testified in support of the application. Among the major industries whose traffic the applicants regularly handle are several leading producers of numerous types of chemicals. These companies require reliable, economical, and flexible service by railroad, and seek to assure the ability of other railroads to compete with the merged company in the same manner they now compete with Seaboard and Coast Line. The chemical producing division of a major company which engages in the preservation of wood and the production of coke, plastics, and numerous chemicals also favors the proposed merger. Wherever circumstances warrant, it desires to encourage the merger of railroads having considerable mileage side by side, as a means of elimination of duplicative unneeded facilities, and to improve the general position of the railroads. The company leases its Jacksonville terminal from Coast Line, and many railroad companies, including both applicants and several interveners are substantial customers of the shipper.

Other shippers who support the proposals herein include several producers and distributors of concrete aggregates, sand, and road materials mined in Florida and sold throughout Florida and Georgia; a producer and selling agent of aggregates

mined in North Carolina near Fort Bragg, Durham, and Salisbury; a contractor operating gravel pits and asphalt plants near Montgomery, Ala.; a cement company which has mixing and manufacturing plants in various states including Florida; a cement company with operations at Ragland, Ala., on a line of Seaboard; an electric power company which operates steam electric generating plants serving areas in North Carolina and South Carolina; and retail coal dealers at Birmingham, and Troy, Ala. In summary, the witnesses foresee that efficiencies in the railroad operations which would result from the proposed merger would assure better transportation service, and give hope of lower rates in the future.

For substantially similar reasons, to the extent they apply to the business and transportation requirements of each, other witnesses supporting the application include the operator of a public warehouse located on a line of Seaboard at Orlando, the president of which recently was elected director of the Tavares & Gulf Railroad, a subsidiary of Seaboard; a public warehouse operator at Montgomery; a lumber manufacturer and dealer at Savannah with plants on property leased from Coast Line, which use trucks for the handling of practically all its inbound logs and for up to 40 percent of its outbound products; a lumber and building materials dealer at Montgomery on the line of the Central of Georgia Railway; a producer and shipper of potatoes and other vegetables at Meggett, S. C., who uses

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railroad service to transport about 40 percent of his produce; a manufacturer of steel reinforcing bars and other products at Birmingham served by Seaboard and Southern Railway, which uses the latter for the movement of between 70 percent and 95 percent of its railroad traffic, and constantly seeks faster routes and service; and a soft drink bottling company with plants at Columbus, Ga., Auburndale, Fla., and other points, which pre-

fers to utilize railroad service, but, recently diverted substantial tonnages to motor carriers because of favorable rates. Also supporting the proposed merger is a freight traffic association which serves about 124 members having plants at major shipping points in North Carolina. The association anticipates that reduced costs would inure to its clients in light of elimination of delays due to interchange of cars and removal of switching charges, increased availability of single-line rates, and greater flexibility of routes without loss of presently available routes.

Community and civic support. Within the rulings of the examiner avoiding cumulative evidence, public witnesses other than direct users of the applicants' services, elaborated upon the circumstances and intentions of various political subdivisions and civic and trade promotion groups in the enactment of numerous resolutions and other instruments offered in support of the proposed merger. Interests of their respective areas were represented by spokesmen for town councils or city councils of Petersburg, Norfolk, Portsmouth, and Jarrett, Va., Maxton, N. C., and Orlando, Fla.; city commissioners, city attorneys, or city managers of Hopewell, Va., Athens and Elberton, Ga., and Center and Brundidge, Ala., mayors of Goldsboro, Fairmont, Bethel, and Garland, N. C., and Ashford, Headland, and Piedmont, Ala.; chambers of commerce, retail merchants' associations and several industrial development and trade association groups of Wayne County, Petersburg, Hopewell, Norfolk, Portsmouth, and Tidewater, Va., Goldsboro and Maxton, N. C., Piedmont, Ala., and Orlando and Jacksonville Beach, Fla.; and the Lions Club of Jacksonville, Fla. In addition to the aforesaid witnesses who testified, the applicants listed 107 persons representing other official bodies and trade groups at points in Virginia, North Carolina, and South Carolina, and about 60 persons representing groups within communities in Florida, Alabama, and Georgia, each of whom had ex-

pressed willingness to appear and testify. Counsel for all parties stipulated that the statements of such witnesses, if called and sworn, would be substantially identical to the testimony of witnesses representing similar groups who already had testified.

In most cases, the benefits expected by the communities were not clearly defined on the record herein and appeared to be nebulous. At points served by lines of one of the applicants and not by the other, the supporters of the merger are of the belief that the merged company's service would be

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expanded by adding the complete service of the other applicant to the railroad service already available. Also, that operation of the merged company would eliminate delays and costs entailed in the interchanging of traffic between, and the switching of cars to and from the lines of the applicants under separate operation. Generally, the resolutions were enacted without consideration of the effect upon the communities involved in the event that certain portions of the lines of the merged company would be abandoned when applied for and permitted by the Commission. The local governing officials and the members of the various organizations had not been advised by any other railroad or transportation agency that the proposed merger also might divert traffic and revenues from other railroads and thus alter their present ability to compete for traffic available to the merged company. In practically no instance were opinions expressed in opposition to the endorsing resolutions prior to the recording of the votes thereon.

RAILROAD INTERVENERS

Florida East Coast Railway Company (East Coast) and affected interveners. East Coast[8] intervened[9] in opposition herein on grounds that the merger of Seaboard and Coast Line as proposed would result in substantial losses in the freight and passenger traffic and revenues of East Coast, and place it at a competitive disadvantage which would seriously interfere with East Coast's future

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ability to serve the public adequately and efficiently. In the event the merger and related transactions are authorized, East Coast suggests that its interests would be reasonably protected by imposition by the Commission of conditions made part of its approval, as follows:

A. That Seaboard transfer to East Coast the Seaboard line of railroad between Marcy and Homestead, Fla.

B. That Seaboard be required to abandon its line of railroad between Okeechobee and Marcy, Fla.

C. That the applicants be required to:

(a) Preserve the existing channels of trade and commerce between their lines and the lines of East Coast;

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[8]Pursuant to **Florida East Coast Ry. Co. Reorganization** 307 I.C.C. 5, (prior reports cited therein), decided November 3, 1958, consummated January 1, 1961, East Coast emerged from equity receivership and reorganization proceedings initially commenced in 1931, in the United States District Court, Southern District of Florida. The Commission approved, (1) plan of internal reorganization, (2) (subject to conditions) acquisition of control of East Coast by the St. Joe Paper Company and the testimentary trustees of the Alfred I. duPont estate, and (3) dismissed without prejudice, the application of Atlantic Coast Line Railroad Company and others to purchase, acquire control of, and operate the reorganized company.

[9]Petitions to intervene initially were filed by individuals on behalf of the trustees and reorganization managers of the debtor company, pursuant to orders of the District Court having jurisdiction, and subsequently were filed by the reorganized East Coast corporation.

(b) Maintain existing gateways for the interchange of traffic between applicants and East Coast;

(c) Preserve and maintain service and routing for movement of traffic to and from applicants and East Coast without preference or discrimination in service, rates, divisions, or solicitation; and

(d) Maintain existing schedules for both receipt of freight from and delivery of freight to East Coast.

D. Such conditions as are necessary to protect the interests of others than applicants in the operation, and retirement of indebtedness, of Jacksonville Terminal Company.

E. That the applicants transfer to East Coast one of the two lines of railroad now owned and operated by them from Jacksonville to Tampa, and south.

F. Such further conditions as the commission may find necessary for the protection of the State of Florida, East Coast, the shipping public which it serves, and the public interest and national defense.

East Coast operates 572 miles of railroad including 425 miles of main line, all within Florida. Its main line extends from Jacksonville southwardly along the Atlantic coast via St. Augustine and West Palm Beach to Miami, about 366 miles, and a branch extends about 30 miles farther to Homestead and Florida City. A side line diverges from the

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main line at St. Augustine to East Palatka, about 24 miles, and rejoins the main line at Bunnell, about 50 miles south of St. Augustine. Principal branch lines extend from Titusville to Benson Junction, about 40 miles, where it connects with Coast Line; and from Fort Pierce via Marcy, where it connects with Seaboard, to

Lake Harbor, about 72 miles, where it connects with Coast Line. East Coast's principal railroad connections are at Jacksonville where its originating and terminating traffic is interchanged with Seaboard, Coast Line, and Southern Railway, for movement to and from points north and west of Florida. At and south of West Palm Beach, 299 miles from Jacksonville, East Coast has 41 stations, 18 of which are served only by itself; 12 also are served by Seaboard with no existing facilities for interchanging traffic; and 11 stations, including West Palm Beach, Port Everglades Junction, Miami, and 8 others within the Miami switching district are served by East Coast and Seaboard, and physical interchange is effected by direct connection or through reciprocal switching arrangements.

The line of East Coast provides the only railroad service along the coast between Jacksonville and West Palm Beach. Stations of East Coast at Titusville, Cocoa-Rockledge, and Melbourne, (between 154 and 194 miles south of Jacksonville) are the nearest railheads to the Cape Canaveral missile testing center and nearby Patrick Air Force Base, important defense installations. South of West Palm Beach to Homestead, the line is situated east of and parallel with the line of Seaboard. Within the 67 miles between these points, the distance between the lines exceeds 2 miles only within the switching limits of Miami, where the greatest distance (Little River to Hialeah) is 4.3 miles. The route between Jacksonville and Miami is approximately 40 miles shorter over East Coast's line than over the line of Seaboard. Between South Miami and Homestead, the East Coast line is parallel with Seaboard's line at distances not exceeding 3.7 miles, and the terminals at Homestead are about 0.5 miles from each other.

East Coast's outbound traffic consists primarily of vegetables, fresh fruits, and citrus products from agricultural areas adjacent to practically every portion of its lines. Vegetables originate from not less than 25 points at distances ranging from

37 to 376 miles from Jacksonville, and citrus fruits move from 12 origin points from 117 to 322 miles from Jacksonville. This traffic moves in refrigerator cars during certain seasons and requires special handling and expedited movement. Perishable commodities represent approximately 85 percent of East Coast's interline forwarded traffic, and the remainder comprises low revenue producing traffic as sugar cane, stumps, pulpwood and ores.

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Approximately 50 percent of the inbound traffic consists of high revenue manufactures and miscellaneous articles moving in conventional box cars and other equipment, most of which is returned empty to the owning railroad. Based upon East Coast's annual financial reports to the Commission for each year ending 1955 through 1959, inclusive, its average operating results, are shown as follows:

Total operating revenues	$ 35,662,375
Total operating expenses	27,836,238
Railway tax accruals	2,480,782
Total gross income	3,027,845
Income available for fixed charges	2,871,615
Total fixed charges	2,687,159
Net income after fixed charges	$ 184,456

Attached hereto as appendix "K" is a compilation for each year 1957 through 1960, of the number of carloads of each major group of commodities transported by East Coast as the originating or terminating railroad, and the revenues produced by each class. In those years, the handling of fresh vegetables and fruit and citrus products provided between 14.4 percent and 18.1 percent of the revenue received on all carload traffic interchanged by East Coast, and the inbound manufactures and miscellaneous traffic revenue was equivalent to between 49.4 percent and 52.7 percent of the total traffic in question.

During the shipping season of 1958-59, fresh citrus fruits from the entire state of Florida, totaled 17,574 cars, of which East Coast handled 7,362 cars, or the equivalent of 42 percent, and vegetable shipments totaled 27,098 carloads of which East Coast handled 18,239 cars, or 67 percent. In 1959, the fruit and vegetable traffic originating on East Coast lines and moving to points in the Official Territory, predominantly via Virginia gateways, accounted for $3,583,955 of the total freight revenue of $24,969, 814. Included were 8,423 carloads of citrus fruit, 297 carloads of other fruits, 11,295 carloads of vegetables not otherwise specified, 2,421 cars of tomatoes, and 2,774 cars of potatoes. Of the aforesaid traffic, 10,104 cars or 40.1 percent were interchanged with Coast Lines, 7,161 cars or 28.4 percent with Seaboard, and 7,945 cars or 31.5 percent were interchanged with Southern Railway.

Studies were made of traffic records involving every carload received by East Coast from connecting carriers during January, April, July, and October 1959, and such were expanded to reflect the entire year's traffic. The carloads delivered by East Coast, the revenue's accrued thereon, and the percentage relationship of the participation of each connecting railroad, shown separately in regard to (1) all stations on East Coast, (2) stations within East Coast's "local area," between Jacksonville and West Palm Beach,

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excluding West Palm Beach (north end), and (3) stations between West Palm Beach and Miami (south end), are as follows:

Connecting Railroad	Carloads	Percent	Revenue	Per cent
Seaboard				
(1) all FEC stations	32,076	31.2	$3,769,353	24.3
(2) FEC north end	19,529	40.1	1,487,430	33.2
(3) FEC south end	12,547	23.2	2,281,923	20.6